

Message Text

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TO AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: EFIN, ETRA, PL, JA

SUBJECT: EXIMBANK CREDIT TO JAPAN FOR U.S. COMPONENTS OF
POLISH ETHYLENE PLANT

REFS: (A) WARSAW 6753; (B) STATE 242754; (C) STATE 153022

FOR THE AMBASSADOR FROM EB ASSISTANT SECRETARY ENDERS

1. WE APPRECIATE YOUR CONTINUING EFFORTS ON BEHALF OF U.S.
TRADE INTERESTS IN POLAND, AND UNDERSTAND YOUR CONCERN
OVER EXPORT-IMPORT BANK'S SEEMINGLY FAVORABLE TREATMENT OF A
THIRD-COUNTRY FIRM IN SALE OF ETHYLENE PLANT TO POLAND.
EXIMBANK UNDERSTOOD MITSUI WAS ASSURED OF CONTRACT AWARD AT
TIME PRELIMINARY COMMITMENT WAS ISSUED, AND CONSIDERED
CREDIT TO MITSUI NECESSARY TO ASSURE MAXIMUM USE OF U.S.-
SOURCE EQUIPMENT IN THIS PLANT. EXIMBANK WAS NOT APPROACHED
BY DIAMOND SHAMROCK OR OTHER U.S. FIRMS INTERESTED IN THIS
CONTRACT AND WAS NOT AWARE OF ANY U.S. COMPETITION WITH
MITSUI. WE DO NOT KNOW WHY DIAMOND SHAMROCK DID NOT AP-
PROACH BANK.

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2. SEVEN PERCENT INTEREST RATE ON THIS CREDIT WAS ORIGINALLY OFFERED MITSUI IN PRELIMINARY COMMITMENT ISSUED MAY 10, 1974, BEFORE EXIMBANK RATE POLICY CHANGED (REFTEL C). EXIMBANK POLICY IS TO HONOR TERMS OF OUTSTANDING PRELIMINARY COMMITMENTS WHEN A SUBSTANTIALLY COMPLETE FINAL APPLICATION IS RECEIVED BEFORE P.C. EXPIRY DATE, AS WAS THE CASE IN THIS LOAN. EXIMBANK WOULD, HOWEVER, HAVE OFFERED TERMS AT LEAST EQUALLY FAVORABLE TO U.S. FIRMS ATTEMPTING TO SELL DIRECTLY TO POLAND IN COMPETITION WITH MITSUI, AND MIGHT HAVE OFFERED LONGER REPAYMENT PERIOD IF TOTAL VALUE OF U.S. EXPORTS WAS SUBSTANTIALLY HIGHER THAN MITSUI PROPOSAL. PRESENT EXIMBANK POLICY IS IN FACT CONSISTENT WITH YOUR RECOMMENDATION IN PARAGRAPH 4 REFTEL A.

3. ALMOST ALL NEW EXIMBANK CREDITS CARRY INTEREST RATE OF EIGHT PERCENT, ALTHOUGH EXIMBANK HAS FLEXIBILITY TO GO LOWER WHEN THERE IS CLEAR FOREIGN COMPETITION. ALL OLD PRELIMINARY COMMITMENTS HAVE NOW EXPIRED, SO WE SHOULD NOT HAVE THIS SITUATION AGAIN IN THE FUTURE. INGERSOLL

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